

V.C. Summer Nuclear Station Units 2 & 3

Quarterly Report to the South Carolina Office of Regulatory Staff Submitted by South Carolina Electric & Gas Company

Quarter Ending December 31, 2017

I. Introduction and Summary

A. Introduction

This quarterly report concerning the status of the construction of V.C. Summer Nuclear Station (VCSNS) Units 2 and 3 (the Units) is submitted by South Carolina Electric & Gas Company (SCE&G or the Company) to the Public Service Commission of South Carolina (Commission) and the South Carolina Office of Regulatory Staff (ORS). SCE&G has abandoned the project and ceased all work on the Units. Therefore, there is no information to report concerning the progress of construction of the plant nor is there information to report as to the construction schedule or the other items listed at S.C. Code Ann. § 58-33-277. Nonetheless, the Company is providing the following update on abandonment activities.

All amounts set forth in this Quarterly Report are based on SCE&G's existing 55% interest, except where expressly stated to be based upon 100% of the cost.

The financial schedules presented here and in **Appendix 2** reflect cost for work performed on the project through July 31, 2017 and certain costs of abandonment during the months of August and September.

B. Structure of Report and Appendices

The current reporting period is the quarter ending December 31, 2017. Unless otherwise stated, the information set forth in this report is current as of December 31, 2017. The report is divided into the following sections used in the previous BLRA quarterly reports:

Section I: Introduction and Summary;

Section II: Progress of Construction of the Units;

Section III: Anticipated Construction Schedules;

Section IV: Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B)(6) (the Inflation Indices);

Section V: Updated Schedule of Anticipated Capital Costs; and

Section VI: Conclusion.

Only one appendix, **Appendix 2**, which contains financial information for the project, is attached. There is no new information related to **Appendices 1, 3, 4, and 5**. Those appendices have not been revised and therefore are not being submitted with this report.

Given the brevity of this report, no glossary of acronyms and defined terms is attached.

1. Construction Schedule and Milestones

Construction Costs and Cost Forecasts. No spending on the Units occurred during the period.

Post-Abandonment Costs. All costs related to the abandonment activities and permit closures associated with the site that have been incurred since September 30, 2017 were expensed and therefore were not recorded as capital costs of the project. In addition, the Company has expensed all severance costs for personnel working on the project.

Transmission. The capital costs schedules for the Units originally included the cost of certain transmission system upgrade projects. Those transmission projects are not being abandoned. Certain of these projects have been completed as of December 31, 2017, and placed into service to meet customer requirements. The remainder of them will be completed and placed in service before the end of 2018. The capital costs associated with these transmission system projects and the escalation and Allowance for Funds Used during Construction (AFUDC) associated with them have been removed from the costs schedules for the BLRA project costs as reported in **Appendix 2**. In total, approximately \$399 million in actual and anticipated transmission project investment and associated escalation and AFUDC have been removed from the amounts that were shown in **Appendix 2** in the Quarterly Report for the Quarter Ending September 30, 2017. As of the close the period, \$322 million of this \$399 million amount had been incurred. Transmission projects with a value of \$241 million had been completed by year end and were closed to plant in service as of December 31, 2017.

Assets Supporting Unit 1. The capital cost schedules for the Units originally included the costs of certain assets that were constructed or acquired to support both Unit 1 and Units 2 & 3. These assets include the Switchyard, the off-site potable water system, the wastewater treatment facility, the Nuclear Operations Building, the Nuclear Learning Center Annex, the rail road spur serving the site, certain emergency services facilities and security training facilities, as well as the updated work management system (CHAMPS) and other software and IT infrastructure. The capital costs associated with these items have been removed from the BLRA capital cost schedules, as shown on **Appendix 2**, and are now included in plant in service for Unit 1, or in the case of the Switchyard in transmission plant in service. Included in this category are assets with a capital cost as of approximately \$86 million as set forth below:

CHART A

Category	Amount (\$ millions)
1. Switchyard	\$31
2. Off-Site Water System	\$23
3. Nuclear Operations Building	\$11
4. CHAMPS work management system	\$7
5. Nuclear Learning Center Annex	\$5
6. Miscellaneous (e.g. emergency services facility, security training facility, software licenses, wastewater treatment, facility, railroad spur, IT infrastructure)	\$9
Total	\$86

II. Progress of Construction of the Units

Work on the project ceased on July 31, 2017, except for work necessary to safely demobilize the workforce, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

A. Equipment and Fabrication

SCE&G agreed at the request of the owner of an AP1000 Unit being constructed in China to swap its completed Reactor Coolant Pump in exchange for a replacement pump to be manufactured by Westinghouse. In lieu of that replacement pump, SCE&G agreed during the period to receive a payment from Westinghouse in the amount of \$14 million (at 100%, SCE&G's 55% share being approximately \$8 million). SCE&G and Santee Cooper also declared their intent to sell certain items of property to the owners of the Vogtle AP1000 Units for use in their project. The net value of the payment and intended sales will reduce the balance of capital costs associated with the project. SCE&G has abandoned all other equipment, except as described here and in Section I.B.1 above. SCE&G proposed that Santee Cooper has the authority to determine what it wishes to do with this abandoned equipment.

B. Licensing and Permitting and Regulatory Proceedings

1. Combined Operating Licenses

SCE&G asked the NRC to withdraw the Combined Operating Licenses for the Units on December 27, 2017. On January 8, 2018, Santee Cooper asked the NRC to refrain from taking any action relating to termination for 180 days. SCE&G has continued to submit all required regulatory filings to the NRC.

C. Change Control/Owners' Cost Forecast

No change orders were processed during the period.

Various material and construction liens have arisen as a result of the decision to abandon the project. SCE&G is working to resolve these liens.

D. Transmission

As of the close of the period, approximately 90% of the transmission structures and 86% of the wire miles comprising the transmission aspects of the project were complete. The transmission line construction to support Unit 2 is substantially complete.

1. The VCS2-St. George 230 kV Line No. 1 and the VCS2-St. George 230 kV Line No. 2

Construction activities continued on the VCS2-St. George 230 kV Lines No. 1 and No. 2 segment between the Saluda rapids and Dunbar Road and between Gaston and Orangeburg. These activities included installation of construction access and erosion control measures, spotting and framing of poles, removal of the existing lines and installation of pole foundations, poles and conductors.

2. Wateree-St. George-Williams 230 kV Line

During prior periods, construction was completed on the first approximately two mile section and the second approximately 13 mile section of the project to rebuild the St. George to Summerville segment of the Wateree- St. George-Williams 230 kV Line. During the current period, construction on the final approximate 16 mile section of the project continued as expected. Construction activities included installation of erosion control measures and construction access, spotting and framing of poles and vibratory caissons, removal of the existing lines and installation of vibratory caissons, poles, and conductors.

III. Anticipated Construction Schedules

Appendix 1 to this quarterly report has not been updated since the prior report and is not included in this report.

IV. Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B) (6) (the Inflation Indices)

In light of the decision to abandon the project, the approved capital cost targets have not been adjusted to reflect the currently reported historical escalation rates.

Appendix 3, which set out the cash flow schedule for the project as it was approved in Order No. 2016-794, has not been updated since the prior report and is not included in this report.

A. Inflation Indices

Appendix 4, which showed the updated inflation indices approved in Order No. 2009-104(A), has not been updated since the prior report and is not included in this report.

V. Updated Schedule of Anticipated Capital Costs

There are no future capital costs associated with the project.

VI. Conclusion

In light of the decision which SCE&G made on July 31, 2017, to abandon the construction of Units 2 and 3 at the V.C. Summer Nuclear Station in Jenkinsville, S.C., the Company continues only with the work that is necessary to safely demobilize the project, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

VII. APPENDIX 1, 3-5

V. C. Summer Nuclear Station Units 2 & 3

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Staff Submitted by South Carolina Electric & Gas Company
Pursuant to Public Service Commission Order No. 2009-104(A)**

Quarter Ending December 31, 2017

NO UPDATE

VIII. APPENDIX 2

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Appendix 2 is an updated and expanded version of the information contained in the capital cost schedule approved by the Commission in Order No. 2016-794.

Appendix 2 shows the actual expenditures on the project by plant cost category through the current period.